

## **FISCAL NOTE**

### **SB 263 - HB 396**

February 25, 2005

**SUMMARY OF BILL:** Prohibits health insurance entities from denying payment or revoking a previous authorization for which a health care provider or representative had obtained prior authorization or no prior authorization was needed. When an individual is covered by two or more entities, prohibits secondary entity from denying payments of claims if the provider obtained authorization from a primary entity or if the primary entity does not require prior authorization. This bill does not apply if prior authorization is obtained fraudulently. Creates the "Prior Authorization Civil Penalty Fund" that consists of the funds the Commissioner of Commerce and Insurance could impose for each violation, resulting in a civil penalty of \$1,000 which increases to \$10,000 for the sixth violation and subsequent violations of such. Bill will take effect July 1, 2006.

#### **ESTIMATED FISCAL IMPACT:**

**Increase State Revenues - \$12,000 FY07**

**Increase State Expenditures - \$358,000 FY07**

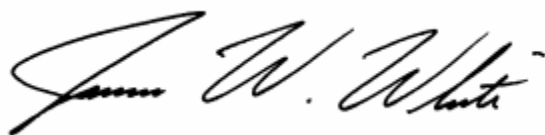
**Other Fiscal Impact - Increase Federal Expenditures - \$642,000 FY07**

#### **Assumptions:**

- Civil penalties could result in \$12,000 in revenue for the "Prior Authorization Civil Penalty Fund" (based on 2004 data).
- Consumer Insurance Investigators will handle complaint mediation under current job responsibilities.
- Prevents managed care organizations and behavioral health organizations from denying claims for any reason after prior approval, except for fraudulent claims. The amount of increased cost to TennCare (federal and state dollars combined) cannot be determined but is estimated to exceed \$1,000,000.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director